

## CHAPTER II

### REVIEW OF RELATED LITERATURE

#### 2.1 Previous Study

Study concerning topic of investigation *Theory of Planned Behaviour* relate to tax compliance has been conducted by previous researchers. Below are the summaries of study which support this study and also the explanation of both similarities and differences between those researches.

##### 1. Widi and Bambang (2015)

This research examined the compliance behaviour of taxpayers using *Theory of Planned Behaviour*. The purpose of this study was to investigate the influence of *Theory of Planned Behaviour* constructs toward tax compliance and examine whether the *Sunset Policy* influenced the intention toward tax compliance. The independent variables were attitude toward behaviour, subjective norms, perceived behaviour control, and *Sunset Policy*. Dependent variable was tax compliance.

Samples of this research were tax expert who represent taxpayer in KPP Pratama Jakarta Pluit. Design of this research was survey research. The amount of samples was 86 tax experts who worked in company. To answer the hypothesis used Partial Least Square (PLS) by SmartPLS Program. The result of hypothesis testing showed that attitude toward behaviour and perceived behavioural control affected compliant behavioural intention, but subjective norms and *Sunset Policy*

did not affect compliant behavioural intention. Then, it was proved that perceived behavioural control directly affected tax compliance and compliant behavioural intention affect compliance behaviour.

The Similarity of the study was examining the behaviour related to tax compliance by using the *Theory of Planned Behaviour* model. The difference of this study was the previous study added moral obligation as moderating variable and in this current study is going to test *Tax Amnesty* as moderating variable.

## **2. Ngadiman and Daniel (2015)**

The purpose of this research was to analyse the influence of *Sunset Policy*, *Tax Amnesty*, and *Tax Penalties* on individual tax compliance that have individual business and free worker listed on KPP Jakarta Krembang. The population of this research was all of Taxpayers who listed on KPP Pratama Surabaya. The amounts of sample were taken by simple random sampling method. Data analysis method was multiple linear regressions.

Based on the result of analysis testing, it could be concluded that *Sunset Policy* was not significant and negative related to tax compliance. *Tax Amnesty* and tax penalties were positive and significant related to tax compliance.

The similarity was examining the influence of *Tax Amnesty* on tax compliance empirically. This prior study used *Tax Amnesty* as independent variable but in this recent study examined tax compliance through *Theory of Planned Behaviour* constructs and *Tax Amnesty* was added to be moderating variable.

### 3. Widi and Argo (2010)

Previous study tested *Theory of Planned Behaviour* developed by Azjen (1991) had been conducted by Widi and Argo (2010). The purpose of this study was to examine non compliance especially individual taxpayer which adopted Bobek and Hatfield (2003) model. Samples that collected in this study were 155 individual taxpayers. The analysis techniques are path analysis and Structural Equation Modeling (SEM) by SPSS 16.0 and AMOS 16.

The results of the study were; first, attitude toward non compliance did not negatively and significantly relate to noncompliant behavioural intention. Second, subjective norms were not positive and significant related to noncompliant behavioural intention. Third, moral obligation positively and significantly related to noncompliant behavioural intention. Then, perceived behavioural control was not positive and significant related to noncompliant behavioural intention. Last, noncompliant behavioural intention had correlation to noncompliant behavioural intention and the intention had impact on noncompliance.

The similarity of the study was to examine taxpayer's noncompliance using the *Theory of Planned Behaviour* constructs. The previous study added moral obligation as moderating variable but this current study uses *Tax Amnesty* as moderating variable. Choosing the variable moderating is based on researcher's consideration.

#### 4. James et al (2009)

This prior research was categorized as experimental study. The main purpose of that study was to discuss the multiple tax amnesties enacted in the Russian Federation during its main transition period of the 1990 and to analyze the impact of these amnesties on tax collection. In that research, it tested for the impact of tax amnesties in the Russian Federation on tax revenues, using monthly data on tax collections for major revenue sources of the general government for the period January 1995 to December 2000.

Independent variable was real GDP per capita and dependent variable was real total taxes per capita. By the estimation results, using a range of structural and time series methods, it could be concluded that these amnesties had little demonstrable permanent impact on revenues as long as the government could manage its cost and had a good fiscal system. Nevertheless, *Tax Amnesty* program would be better off avoiding. Beside of the short-term impact of *Tax Amnesty* on tax revenue, *Tax Amnesty* did not influence tax compliance significantly.

The similarity of the study was to examine the influence of *Tax Amnesty* on tax compliance empirically. The prior research used *Tax Amnesty* as independent variable but this recent study is going to examine tax noncompliance through *Theory of Planned Behaviour* model and using *Tax Amnesty* as moderating variable.

## 5. Elia (2007)

The purpose of research done by Elia (2007) were to examine noncompliant behavioural taxpayer especially paper factory which size were big and middle. Survey was research model that used with questionnaire as the instrument. In this research, the respondent was 35 taxes professional from 124 companies. Data was analysis by Structural Equation Model on Amos versi 5.

This research used *Theory of Planned Behaviour* Model which had been adopted from Bobek and Hatfield (2003) consisted of attitude toward behaviour, subjective norms, and perceived behavioural control, moral obligation affected compliant behavioural intention to pay tax. Beside it, researcher also added 3 independent variables; there were financial perceptions, facilities perception, and organization perception.

The result of this study was attitude toward behaviour, perceived behavioural control were positive and significant related on compliant behavioural intention. Moral obligation, financial perception, facilities perception, and organization perception were negative and significant related on compliant behavioural intention. Intention was positive and significant related to compliant behaviour to pay tax.

The similarity of this study was to examine the behaviour related to tax compliance by using the *Theory of Planned Behaviour* model. This prior study added 3 independent variables; financial perceptions, facilities perception, and organization perception but this recent study only adds *Tax Amnesty* as moderating variable.

## 6. Bobek and Hatfield (2003)

The purpose of this study was to predict noncompliance behaviour in paying tax using *Theory of Planned Behaviour* which developed by Azjen (1991). *Theory of Planned Behaviour* was used as a theoretical framework to extend prior research examining taxpayers' compliance intentions. Behaviour intention was supported by 3 factors; attitude, subjective norms, perceived behavioural control. In this study also, specifically, moral obligation was added to the theory's explicit constructs. Moral obligation was expected to be moderating influence, therefore interaction effects were hypothesized.

The analysis method was logistic regression to prove the effect between variables and answer the hypothesis. Result of this study showed some findings. First, attitude, subject norm, and perceived behaviour control affected taxpayers' non compliance. Second, moral obligation had interaction effect in three different scenarios. The researcher suggested that next study using this topic can be developed which adopted with current issued because behaviour can change in specific condition. So by this advance, researcher is going to investigate taxpayer's non compliance which using *Tax Amnesty* as moderation of three scenarios; attitude, subjective norms, and perceived behavioural control

The similarity of the study was to examine the behaviour related to tax noncompliance using the *Theory of Planned Behaviour* model. The previous study added moral obligation as moderating variable but this current study uses *Tax Amnesty* as moderating variable.

**Table 2.1**  
**Summarize of Previous Studies**

Title	Objective of study	Variables	Samples	analysis techniques	Results of study	Similarity and Difference
1. Pengaruh sikap, norma subjektif, kontrol perilaku dan <i>Sunset Policy</i> terhadap kepatuhan Wajib Pajak dengan niat sebagai intervening By: Widi and Bambang (2015)	To investigate the influence of TPB variables toward tax compliance and examine whether the <i>Sunset Policy</i> influence the intention toward tax compliance	<b>Independent:</b> attitude, subjective norm, Perceived behavioural control, and <i>Sunset Policy</i> <b>Dependent:</b> Tax compliance <b>Intervening:</b> Behavioural Intention	86 tax professionals.	PLS with smartPLS	<ul style="list-style-type: none"> <li>- Attitude and PBC influenced the intention of tax compliance</li> <li>- Subjective norms, <i>Sunset Policy</i> did not effect on the intention of tax compliance</li> <li>- PBC influenced tax compliance directly</li> <li>- Intention influenced compliance</li> </ul>	Similarity: Empirically examining the compliance using <i>Theory of Planned Behaviour</i> constructs. Difference: The prior research used <i>Tax Amnesty</i> as independent variable. In this recent study examines tax compliance behaviour
2. Pengaruh <i>Sunset Policy</i> , <i>Tax Amnesty</i> , sanksi pajak terhadap kepatuhan WP By: Ngadiman and Daniel (2015)	To analyze the effect of <i>Sunset Policy</i> , tax amnesties, tax penalties on tax compliance	<b>Independent:</b> <i>Sunset Policy</i> , tax amnesties, tax penalties <b>Dependent:</b> Tax compliance	100 Individual taxpayers	Multiple Regression analysis	<ul style="list-style-type: none"> <li>- <i>Sunset Policy</i> was not significant and negative impact on tax compliance</li> <li>- Tax amnesties and tax penalties are positive and significant impact on tax compliance</li> </ul>	Similarity: using tax incentives as variable Difference: In previous study, <i>Tax Amnesty</i> was independent variable but this recent study uses <i>Tax Amnesty</i> as moderating variable.
3. Studi empiris TPB dan pengaruh kewajiban moral pada perilaku ketidakpatuhan pajak WPOP By: Widi and Agro (2010)	To investigate the influence of TPB variables toward tax compliance	<b>Independent:</b> attitude, subjective norm, Perceived behavioural control, moral obligation <b>Dependent:</b> Tax non compliant Tax compliance <b>Intervening:</b> Behavioural Intention	155 individual taxpayers	SEM	<ul style="list-style-type: none"> <li>- Attitude, subjective norm, perceived behavioural control did not affect significantly on behavioural intention</li> <li>- moral obligation affect behavioural intention significantly</li> <li>- Behavioural intention effect the tax compliance</li> </ul>	Similarity: Examining the behaviour related to tax compliance using the <i>Theory of Planned Behaviour</i> model. Difference: The previous study added moral obligation as moderating variable but in this current study uses <i>Tax Amnesty</i> as moderating variable.

Source: Processed



Continued'

**Table 2.1**  
**Summarize of Previous Studies**

Title	Objective of study	Variables	Samples	analysis techniques	Results of study	Similarity and Difference
4. Do tax amnesties work? The revenue effects of tax amnesties during the transition in the Russian Federation By: James et al (2009)	To discuss the multiple tax amnesties enacted in the Russian Federation during its main transition	<b>Independent:</b> <i>Tax Amnesty</i> <b>Dependent:</b> Revenue	12 years tax revenue	A range of structural and time series method	- <i>Tax Amnesty</i> did not significantly influence tax compliance - There was short-term of <i>Tax Amnesty</i> on tax revenue	Similarity: Empirically, examining the influence of <i>Tax Amnesty</i> on tax compliance Difference: The prior research used <i>Tax Amnesty</i> as independent variable. In this recent study, examining tax compliance behaviour through <i>Theory of Planned Behaviour</i> and <i>Tax Amnesty</i> as moderating variable.
5.Kajian empiris tentang kepatuhan wajib pajak badan di perusahaan industri pengolahan di Surabaya By: Elia (2007)	To investigate corporate tax non compliance behaviour, especially large and medium size manufacturing industry in Surabaya	<b>Independent:</b> attitude, subjective norm, Perceived behavioural control, moral obligation, financial perception, entity's facility, and organization perception <b>Dependent:</b> Tax compliance <b>Intervening :</b> Intention <b>Mediating:</b> Moral obligation	176 companies	SEM	-attitude toward non compliance behaviour, perceived behavioural control on tax professional intention is positive and significant -subjective norm on tax professional intention is negative and significant -moral obligation, financial condition, and organizational climate were negative and significant -Intention is positive and significant	Similarity: Examining the behaviour related to tax compliance by using the <i>Theory of Planned Behaviour</i> model. Difference: This prior research added 3 independent variables; financial condition, corporate facilities, and organizational climate but this recent study only adds <i>Tax Amnesty</i> as moderating variable.
6.An investigation of the <i>Theory of Planned Behaviour</i> and the role of moral obligation in tax compliance  By: Bobek and Hatfield (2003)	To determine the outcome belief that underlie taxpayers' behaviour	<b>Independent:</b> attitude, subjective norm, perceived behavioural control, and moral obligation, <b>Dependent:</b> Tax compliance <b>Intervening :</b> Intention <b>Mediating:</b> Moral obligation	178 respondents, consist of two group : - 60 % students - 40% non students	Multinomial logistic regression	- Subjective norm and attitude positive and highly significant toward behavioural intention - Perceived behavioural control positively did not significant - Moral obligation did not appear to be enough to increase compliance	Similarity: Examining the behaviour related to tax compliance by using the <i>Theory of Planned Behaviour</i> model. Differences: The previous study added moral obligation as moderating variable and this current study, <i>Tax Amnesty</i> are going to moderate the constructs.

Source: Processed

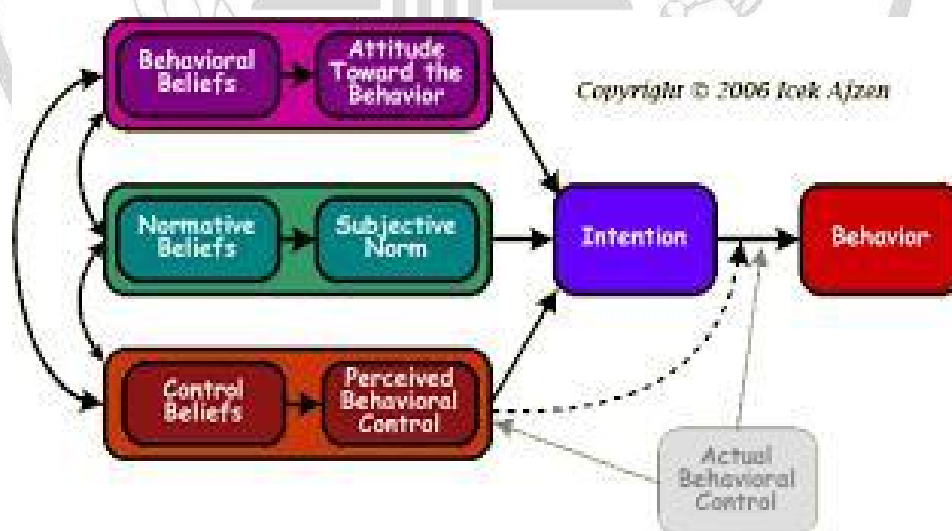


## 2.2 Theoretical Review

The objective of this study is supported by the related literatures and this becoming the basic to achieve it. This subchapter describes the main theory linked to study about tax noncompliant behaviour that is *Theory of Planned Behaviour* (grand theory). The supported theory is also explained for instance attitude toward behaviour, subjective norms, perceived behaviour control, *Tax Amnesty*, and tax compliance.

### 2.2.1 *Theory of Planned Behaviour*

*Theory of Planned Behaviour* is formulated in 1991 by Icek Ajzen. This theory suggests that a person's behaviour is determined by intention to perform the behaviour. Intentions are a function of three basic determinants; one reflecting personal nature, one social in nature, and a third dealing with issues of control (Ajzen 2005:117). All subject's interaction are defined as well as picture below.



Source: Ajzen (1991)

**Figure 2.1**  
***Theory of Planned Behaviour Construct***

First, personal factor is the individual's attitude toward the behaviour. This attitude is the individual's positive or negative evaluation of the particular behaviour. Attitude is representation of personal norms, as actualization of self based standards or expectation for behaviour that flow from internalized values (Bobek et al, 2007).

The second determinant of intention is social in nature. Social in nature is person's perception of social pressure to perform or not perform the behaviour under the consideration. Social in nature deals with perceived normative prescription, this factor is termed subjective norms. According to Bobek et al (2007) subjective norm is representation of individual's perception of the injunctive norms held by "referent" others such as family, friends, and co-workers.

Third, the determinant of intention is control represents the sense of self-efficacy or ability to perform or not perform the behaviour. This factor is termed with *perceived behavioural control*. This control is more likely to personal deficiencies and external obstacles can interfere with performance the behaviour.

Finally, all the determinant factors; attitude toward behaviour, subjective norms, perceived behavioural control interact each other predict intention. Then, the intention will translate into action. Explanation about how *Theory of Planned Behaviour* frames this research discussed in the next discussion.

### 2.2.2 Tax Compliance

Taxpayers have high contribution to manage their tax responsibilities accurately. Taxpayers should count, pay and report their tax by themselves, so tax compliance awareness is needed. Tax compliance can be defined as a condition that taxpayers fulfil all their tax liabilities Siti (2016:38).

According to Siti (2016:110) there are two kinds of tax compliance; formal compliance and material compliance. Formal compliance is a taxpayer's compliance fulfils their liabilities based on tax law formally. Material compliance is a taxpayer's condition fulfils all their tax liabilities substantively based on the content of tax law. Material compliance also includes formal compliance, so doing formal compliance does not represent material compliance.

Internal revenue Service defines the formal compliance in three conditions. They are filling compliance, payment compliance, and reporting compliance. These Criteria based on regulation 198/PMK.03/2013 refer to KEP-213/PJ/2003. Based on regulation 198/PMK.03/2013 taxpayer's compliance is explained as below:

- a. Filling accurate and complete annual tax return before the due date;
- b. The rightness of periodic tax report;
- c. Paying of all tax debt ( taxpayers never get notice of tax collection);
- d. Not having tax arrears except it is permitted by tax officer to pay in instalment;
- e. Never commit a tax criminality at least for 5 years.

### 2.2.3 *Tax Amnesty*

Based on UU RI 17 year 2016, *Tax Amnesty* is an elimination of a tax liability relating to a previous tax period or periods. It will free charge from interest and criminal prosecution including administrative or punishment if they inform both taxpayer's liabilities and assets. Every taxpayers may get the forgiveness by disclose their asset. The type of amnesty is forgiveness for tax liability until the end of fiscal year. In exchange for forgiveness taxpayers must pay redemption voluntarily. In summary of redemption are below:

**Table 2.2**  
**Tax Compensation Rate**

Qualification	Rate	Requirement
asset in Indonesia	2%	Informing <i>Statement Letter</i> within 3 months ( July until December)
	3%	Informing <i>Statement Letter</i> between October until December 2016
	5%	Informing <i>Statement Letter</i> in January 1 until March 1, 2016.
Asset in abroad	4%	Informing <i>Statement Letter</i> within 3 months ( July until December)
	6%	Informing <i>Statement Letter</i> between October until December 2016
	10%	Informing <i>Statement Letter</i> in January 1 until March 1, 2016.
Gross Profit > Rp.4.800.000.000	0.5%	Reporting the asset until Rp.1.000.000.000,00
	2%	Reporting the asset more than Rp.10.000.000.000,00
Tax liabilities	75%	For company's tax payers
	50%	For individual taxpayers

Source: UU No. 17(2016) *Tax Amnesty*, processed

There are some purposes of *Tax Amnesty*. First, it is for accelerating the economic growth and economic restructuring by property transferring. That will impact on increasing of domestic liquidity, improved exchange rate, lower interest

rate and increased investment. Second, it is for encouraging tax reformation; equitable tax system, extended data basis it make data more valid, comprehensive, and integrated. Finally, the main aim of *Tax Amnesty* is for increasing tax revenue.

#### **2.2.4 Attitude toward Noncompliance**

The researcher relies on Ajzen (1991) expectancy-value depiction of an attitude. Attitudes are predispositions to respond favourably or unfavourably to an object, group, places, do something in certain condition. Attitude is a person's feeling or way of thinking that affects a person's behaviour.

Moreover, individual's attitudes are representation of their belief that underlying the outcome. That is expectation to achieve some benefits by engaging in their behavioural intention. Attitude comes from their feelings that define the behaviour. So, attitude in this study represents how the taxpayers thinking and expect to after fulfilling their tax liabilities.

#### **2.2.5 Subjective Norms**

Subjective norms are a reference from other peoples that influence someone to do something (Ajzen, 1991). Subjective norms refer to a person's belief about individual or groups approve or disapprove that will motivated taxpayers to behave compliant. Taxpayers' beliefs appear from their compliance reference from surrounding such as groups, family members, employers, friends, and spouse.

Bobek et al defines subjective norms as follow:

Rules and standards that are understood by members or group, and that guide constraint social behaviour without the force of law. Subjective norm

represent an individual perception of the injunctive norms held by “referent” others (e.g., family, friends, and co-workers). Thus, they aid in building and maintaining social relationship with people whose opinion matter the most.

Subjective norms relate specifically to the opinions of important people. Finally subjective norms are one’s own self based standard or expectation of appropriate behaviour, which may arise from the others influence. Subjective norms will influence behaviour when individuals are motivated to comply with the norms of referent others.

#### **2.2.6 Perceived Behavioural Control**

Perceived Behavioural Control (PBC) refers to degree of controlling taxpayer’s perception they have to involve in a particular compliant behaviour. Control belief is specifically the determinant of perceived behavioural control, refers to a taxpayer’s belief regarding the compliance or non compliance of obligation and opportunities, in addition to the barrier and obstacles to perform the specific behaviour, compliant behaviour.

Perceived behaviour control represents the perceived behaviour of which most people approve or disapprove. It specifies what should and should not be done. This is motivated by promising social reward or punishment. In tax compliance context, perceived behavioural control is how strong taxpayers bravely report their income lower, increase deductible expense and

### **2.2.7 Relationship between Attitude toward noncompliance and Intention**

Attitudes are predispositions to respond favourably or unfavourably to behave noncompliance. Attitude is a person's feeling or way of thinking that affects a person's behaviour. Attitude comes from their internalized values.

Various studies have demonstrated the role of personal norms for taxpaying behaviour. That was done by Bobek and Hatfield (2003) and Elia (2007) that attitude toward noncompliance was significantly influential behavioural intention. The other side Widi and Argo (2010) proved that attitude toward noncompliance did not affect behavioural intention

### **2.2.8 Relationship between Subjective Norms and Intention**

In many condition, taxpayers behavioural is influence by other peoples. The decision of taxpayer to behave to behave compliance or non compliance is motivated by referent people. The previous study showed that subjective norms had high influence to noncompliant intention (Bobek and Hatfield, 2003; Widi and Argo, 2010; Elia, 2007). In other hand, Widi and Bambang (2012) did not support the influence of subjective norms and noncompliant intention.

### **2.2.9 Relationship between Perceived Behavioural Control and Intention**

Perceived Behavioural Control (PBC) is outcomes of control belief. Control belief lead to the perception taxpayers have or do not have capacity to carry out the behaviour. PBC refer to taxpayer's belief about the presence or absence of factors which facilitate or impede noncompliance. The higher control



toward taxpayers, noncompliance may decrease. Empirically, the relation between perceived behavioural control and noncompliant behavioural is proven. But two previous studies oppose the influence of perceived behavioural control and noncompliant behavioural (Bobek and Hatfield, 2003; Widi and Argo, 2010).

#### **2.2.10 Relationship between Intention and Noncompliance**

Intention connects the tax noncompliance and its factors determinant. Generally, intention significantly influences tax noncompliance. Based on Ajzen (2005: 101) intention can accurately predict a variety of corresponding action tendencies. Empirically, Intention is proven related to tax noncompliance ( Bobek and Hatfield, 2003; Widi and Bambang, 2015; Elia, 2007)

#### **2.2.11 Relationship between *Tax Amnesty* and *Theory of Planned Behaviour* Constructs**

*Tax Amnesty* as compliance driver will increase taxpayer's compliance. Previous studies found that *Tax Amnesty* had great impact on compliance. Advocates of amnesties argue that successful amnesties were accompanied by increased enforcement following the amnesties James et al (1990).

Generally, there are factor of various kinds can influence intention, but this influence is usually moderated by more specific condition. An obvious potential moderating variable relate to behavioural context is situational constraint. Hopefully, *Tax Amnesty* as a recent fiscal policy can moderate the attitude and personal trait. If an amnesty is accompanied by these features, then simple model of noncompliance will decrease.




### 2.3 Theoretical Framework

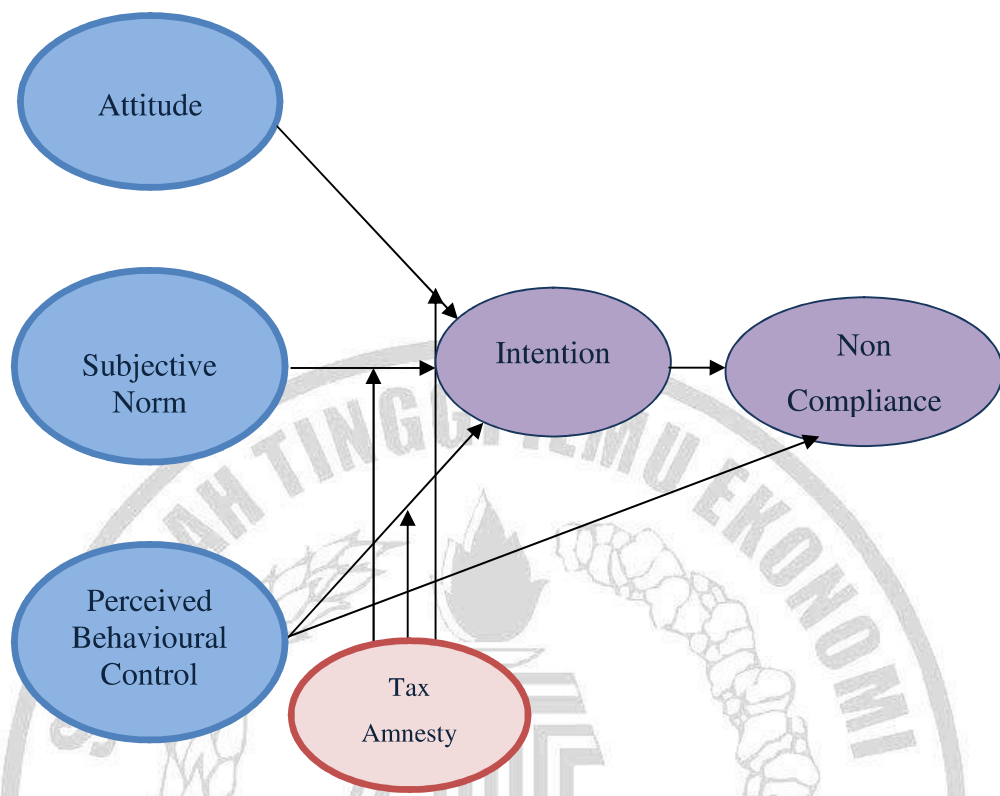
The main purpose of this research is to predict tax noncompliance using *Theory of Planned Behaviour* model and examine whether the *Tax Amnesty* will interact with the TPB construct or not. According the objective of the research, in this study, there will be three steps. First, test the influence of attitude toward noncompliance, subjective norms, and perceived behavioural control on noncompliant intention. Second is analysing the effect of noncompliant intention tax noncompliance. Third is examining the moderation effect tax between *Tax Amnesty* and the constructs of *Theory of Planned Behaviour*.

This study involves independent variables, dependent variable, intervening variable, and moderating variable. Independent variables are variable that give influence to dependent variable. They are attitude toward noncompliance, subjective norms, and perceived behavioural control. Dependent variable is affected by independent variables. It is noncompliant intention. Intervening variable is noncompliant intention. Moderating variable is *Tax Amnesty*.

Graphically, the theoretical framework is shown as below:

Where:

-  Exogenous variables
-  Endogenous variable
-  Moderating Variable



Source: Ajzen (2005), Fatih (2011), processed

**Figure 2.2**  
**Theoretical Framework**

## 2.4 Research Hypothesis

The previous theoretical framework shows how every variable will have interaction each other. Based on the research problems, the hypothesis stated as below:

H1: Attitude toward noncompliance significantly influence to noncompliant intention

H2: Subjective norm significantly influence to noncompliant intention

- H3: Perceived behavioural control significantly influence to noncompliant intention
- H4: Perceived behavioural control significantly influence to tax noncompliance
- H5: Noncompliant intention significantly influence to tax noncompliance
- H6: *Tax Amnesty* moderates relationship between attitude and noncompliant intention
- H7: *Tax Amnesty* moderates relationship between subjective norms and noncompliant intention
- H8: *Tax Amnesty* moderates relationship between perceived behavioural control and noncompliant behaviour

